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SUBJECT: MUCH FINGER POINTING OVER PAN'S LOSS

Classified By: Acting Political Minister Counselor James P. Merz. Reas  
on: 1.4 (b),(d).

¶1. (U) Summary. The governing National Action Party (PAN) suffered an unexpectedly tough loss in Mexico's July 5 mid-term elections, losing not only its plurality in the House of Deputies to its rival, the Institutional Revolutionary Party (PRI), but also two key governorships it had previously controlled. PAN Party President German Martinez announced his resignation, assuming responsibility for the defeat; the party's National Council will seek to identify a replacement next month. Experts have attributed the party's defeat to numerous factors both internal and external to the PAN's conduct of the campaign. In the election's aftermath, President Calderon issued a strong message conveying his readiness to forge agreements with other parties to advance the country's interests. End Summary.

#### Historic Defeat

¶2. (U) Polls leading up the July 5 mid-term elections had shown PAN trailing PRI by some 4-7 points. PAN election advisor Miguel Novoa had told poloff prior to the election that PAN's definition of "success" in the election was to secure at least 180 seats in the 500 seat House of Deputies and "steal" at least two of the four governorships up for election and presently controlled by PRI (he assumed PAN would retain control of the two PAN controlled governorships up for election). PAN failed to meet either bar. PRI appeared on the verge of securing 237 seats (up from 106) and PAN stood to win only 143 (down from 206). Further PAN lost the gubernatorial races in both Queretaro and San Luis Potosi -- two states it had banked on winning as the incumbents were from PAN. While PAN "stole" the gubernatorial race from PRI in Sonora that had more to do with the poor response of the standing PRI governor of Sonora to a recent tragic fire at a daycare center, producing the deaths of 48 children, than PAN's running an especially strong campaign. PAN lost the other three gubernatorial races including Nuevo Leon where it had campaigned hard. As a result, a PRI governor will now preside over 19 of Mexico's 31 states (up from 18).

¶3. (U) On a positive note, PAN scored some gains in the local elections in Mexico City. PRD still commands the overwhelming majority of seats. However, PAN was able to win three delegation seats out of 16 (up from two), 6 local deputy slots out 27 (up from 2), and 9 assembly seats out 66 (up from 9). This proved the only silver lining on an otherwise bleak day.

#### Martinez the First to Fall

¶4. (SBU) July 7, PAN Party President German Martinez announced his resignation, assuming full responsibility for his party's defeat. Martinez was viewed as the intellectual

author of PAN's electoral campaign strategy which included going negative -- often relying on "YouTube" video spots -- to characterize PRI as emblematic of Mexico's corrupt, authoritarian past and blaming the party's policies for Mexico's present day security problems. This strategy also sought to a large extent to make the election about President Calderon, centering much attention on his administration's efforts to counter organized crime as its highest achievement. In the closing weeks of the electoral campaign, as some polls indicated that PAN had narrowed PRI's lead from as much as double digits to as little as four points, many commentators were crediting Martinez's campaign strategy for PAN's apparent improvement. PAN's damning defeat in the July 5 election, however, has forced many observers, including PAN adherents, to reassess its electoral campaign.

#### Much Blame to Go Around

15. (SBU) Many commentators have focused their criticism on the party's campaign. They contend it was a mistake for the PAN to look to internet media like YouTube to get its message out when only a minority of the country's population has access to the internet and those savvy enough to tap into websites such as YouTube were already predisposed to support PAN anyway. Instead, they insist PRI's victory proves the old adage that all elections are local. With PRI governors presiding over 18 of Mexico's 31 states and with a countrywide political machine unrivaled by any other party, PRI was able to target local populations and deliver its voters in greater numbers to the polls. The 2007 electoral law that eliminated the private financing of campaign

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advertisements -- an area where PAN has traditionally enjoyed an advantage -- only enhanced the importance of having strong network of party supporters.

16. (SBU) Of course, the message matters as do prevailing conditions. Martinez played to the President's strength -- its efforts to take on organized crime and produce results. However, in a time of steep economic downturn, most Mexicans are increasingly concerned about economic issues including rising unemployment. While the government did blame the U.S. for the recession, PAN could have spoken more to its efforts to promote economic growth and alleviate dislocations. The bottom line, however, is that this economic crisis is producing serious pain and PAN, as the governing party, took the brunt of the blame.

17. (C) Finally, discontent over how Martinez dictated the party's candidates in a number of key races, including the gubernatorial election in Monterrey -- generated some ill will amongst some of the party's strongest adherents. Those, whose candidates were shunted aside, felt as if Calderon were using the elections to grow his base of supporters in the party. Political analyst Jeff Weldon even suggested, that in response, disaffected PAN leaders did not work hard in their neighborhoods to organize the "get out the vote" campaigns so important in any election.

#### What Comes Next?

18. (SBU) In submitting his resignation, Martinez announced that the party's National Council would convene to elect the party's new president. Party statutes dictate that Martinez' successor would serve out his three year term which extends until the end of 2010 and be eligible for reelection. Martinez won election as Calderon's handpicked choice. Many PAN party adherents -- particularly those not closely aligned with Calderon -- believe the party needs to embrace its next leader through a more democratic process, favoring candidates that enjoy greater independence from the President. Given the importance Calderon's tenure as party president served in his making a run at the party's nomination for the presidency of Mexico, many ambitious party leaders with presidential ambitions have floated their names, including Calderon's

former personal secretary Cesar Nava.

¶9. (SBU) Calderon wasted no time in congratulating PRI for its victory and pledging his commitment to forging agreement with all parties to advance Mexico's interests. He reaffirmed his commitment to fight organized crime and announced his readiness to have Congress consider Economic Package 2010, his administration's proposal for tackling the country's economic challenges. PRI, for its part, similarly pledged to work in good faith with PAN and the President. The 2010 package will focus, for example, on tax reform and increasing government revenues, an area that the PRI has already tacitly indicated its support. With his reputation for compromise when it comes to legislative initiatives, Calderon has already demonstrated that he is capable of working with other parties to move his agenda.

¶10. (C) Comment: PAN's stinging defeat has prompted a debate inside the party over what went wrong and what the party needs to do to fix it. In large measure, PAN paid the price for being the party in power in the midst of a deep, worldwide recession. However, there are internal questions it needs to resolve. Selecting its next Party President will be the first order of business. For all the criticism of Calderon for securing the presidency of his own man the last time around, it is hard to believe he will play a backseat when it comes to selection of the new president. Of course, if he drives the selection process again, he risks widening the breach with those elements of his party that feel marginalized. PRI's near majority in the House of Deputies will strengthen its hand in debates over legislation. Nevertheless, PAN still enjoys a plurality in the Senate. Given Calderon's commitment to strengthening efforts to combat organized crime and the pressure upon PRI to cast an image as a responsible player, we can expect Calderon should realize continued success in securing important, however measured, security legislation. Visit Mexico City's Classified Web Site at <http://www.state.sgov.gov/p/wha/mexicocity> and the North American Partnership Blog at <http://www.intelink.gov/communities/state/nap/>

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